

Circle Health Group Limited

**Annual Report and Financial Statements
for the year ended 31 December 2022**

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Circle Health Group Limited

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Circle Health Group Limited

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Report and financial statements Officers and auditor

Directors

Paolo Pieri
Henry Davies
Paul Manning
Karen Prins

Company Secretary

Shane Cobb

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Auditor

KPMG LLP
58 Clarendon Road
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**Strategic report
for the year ended 31 December 2022**

The directors present their Strategic report on the affairs of Circle Health Group Limited ("the Company") for the year ended 31 December 2022.

Until July 2021, the Company's ultimate parent company in the United Kingdom was Circle Health Holdings Limited ("Circle Group"). On 1 July 2021, there was a change in shareholding with MH Services International (UK) Limited becoming the ultimate parent in the United Kingdom, with the ultimate parent being Centenc Corporation.

This Strategic report has been prepared for the Circle Group, so as to emphasise those matters significant to the Circle Group and its affiliate undertakings as a whole, which have a significant impact on the Company. Given that the Company's operations form the substantial part of the Circle Group, however, the disclosures made in this report are relevant to the Company except where indicated.

The Company was incorporated in the United Kingdom on 15 September 1987 and is the main trading company within the Circle Group. The Circle Group provides an extensive range of general and specialised medical care services to both privately insured, self-pay and National Health Service ("NHS") funded patients in its 54 hospitals and clinics.

Principal activities

The Company is a provider of healthcare services in the UK, treating privately insured, self-pay and NHS-funded patients at hospitals across the UK. The Company's business strategy is founded on the belief that the best way to deliver great patient care is to empower the doctors, nurses and all other staff who work in our hospitals and clinics to put patients' needs first.

Review of operating and business performance and key performance indicators (KPIs)

The principal financial KPIs for the Company are hospital caseload (activity), revenue and profit before tax.

Operating performance and the Covid-19 pandemic

The Group continues to focus relentlessly on providing the highest quality care for its patients. At the end of 2022 the group had achieved Care Quality Control (CQC) ratings of 'Outstanding' at two of its hospitals and 'Good' ratings at a further 34 hospitals/clinics. Healthcare Improvement Scotland (HIS) and Healthcare Improvement Wales (HIW) have rated all hospitals in those locations as 'Good'.

The operating performance of the Company during 2022 was impacted by the ongoing presence of the Covid-19 pandemic, with the Company continuing to support the wider UK health system in its response to the pandemic as well as returning to previous commissioning and operating arrangements with its major customers. The Omicron variant resulted in increased Covid infections across the UK which was a source of shorter-term disruption in the early months of 2022. This subsided through 2022 and has had limited impact to date in 2023. This is reflected in the year-on-year increase in hospital caseload and the build back towards the pre-pandemic treatment pathways and patient flows. The Company saw a substantial increase in demand for treatment from patients paying for themselves, alongside increases in activity from private medical insurance (PMI) providers. NHS commissioning activity remained below pre-pandemic levels in 2022.

The Company carried out 286,000 procedures during 2022 and received 1.5 million outpatient visits, compared with 275,000 procedures and 1.5 million outpatient visits during 2021, with the year-on-year increase reflecting the lessened effect of Covid during the period and the build back of historical treatment pathways and patient flows.

Strategic report
for the year ended 31 December 2022 (continued)

Financial performance

The movements in these KPIs are a result of the operating performance described above.

Revenue was £1,008.9 million for the year to 31 December 2022 (2021: £955.1 million).

Exceptional income of £1.2 million (2021: £4.8 million expense/charge) recorded within operating profit relate to the following items:

- The Company incurred £0.5 million of costs in relation to the integration of the group formerly known as BMI Healthcare into the Circle Group.
- The Company incurred £0.2 million of costs in relation to the closure of various sites.
- The Company recognised £1.9 million of impairment reversals following the assessment of asset impairment as at 31 December 2022.

The loss before tax from continuing operations was £11.8 million (2021: £10.3 million).

The tax charge for the year was £6.5 million (2021: £3.0 million). The resulting net loss after tax for the period was £18.2 million (2021: loss of £13.3 million).

Financial position

The Company's statement of financial position as at 31 December 2022 showed equity of £96.5 million, compared with equity of £111.5 million as at 31 December 2021. The reduction is as a result of the cumulative impact of the non-cash accounting charges on leases required under international accounting standards (IFRS 16).

Outlook

The Company's large hospital network, capacity and geographical footprint, including its intensive care facilities, means that the Company is well placed to serve strong demand for diagnostic, surgical and other treatment demand from patients, on private pay and group NHS pathways. However, this may be disrupted in the event of resurgence of the COVID pandemic or a new pandemic.

The inflationary pressures across the UK continue to impact the Company with the cost of providing care increasing with particular pressure on staffing and energy costs in particular.

Management has sought to attract and retain high quality staff and ensure fair pay across the workforce, while seeking to reduce reliance on agency staffing to manage labour costs appropriately. The industrial action by doctors and nursing staff in the NHS has had no discernible impact on the Company to date.

The Company utilises energy price hedging to provide some price certainty for gas and power costs.

Capital projects

The Company made a significant investment in its hospitals and technology during 2022, to increase capacity to meet current and future demand and to continue to provide excellence in patient treatment in safe environments. The Company invested a total of £86.6 million (including £16.3 million of finance lease funded assets but excluding additions to Right of Use Property Assets under IFRS 16), including:

- multi-million pound investment in the hospital facilities in Aberdeen, Glasgow, Birmingham, Bath and London;
- installation of major imaging equipment across the estate including renewal of 5 MRI, 4 CT and 7 Digital X-Ray scanners and a further 2 mobile MRI and 2 mobile CT scanners to enable flexible deployment to areas of highest diagnostic need;
- investment in medical technology to promote excellence in patient treatment, including over £7.0 million investment in replacing and upgrading clinical equipment across the estate;
- a new cardiac catheterisation lab at the Group's Coventry hospital to improve access to rapid diagnostics and treatment for patients;
- new ward capacity at our hospital in Camarthen, Wales to deliver increased capacity to support patient needs in the area;
- completion of a new modular theatre at the Beaumont hospital in Bolton to increase capacity and provide increased access to care in the area; and
- redevelopment of the orthopaedic facilities at our Guildford hospital to allow improved access to first class care for patients in the local community.

Strategic report
for the year ended 31 December 2022 (continued)

Financing and treasury transactions

In May 2022, the Group extinguished and refinanced its previous debt facilities with a three year revolving credit facility (RCF) of £250 million provided by a group of five banks. An amount of £180 million was drawn down under the facility at that time, with £160 million remaining drawn as at 31 December 2022 and the remaining £90 million remaining available to the Group. In June 2023 a further £10 million on the RCF was paid down leaving £150 million drawn and £100 million undrawn and fully available to the Group.

Principal risks and uncertainties

The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. The Group manages risks through its committee structure, including governance committees, and through the use of a regularly updated and reviewed risk register, and risk is discussed and actioned on a regular basis by the directors. There are no risks separate from those managed and disclosed below that are applicable to the Company.

The Circle Group's activities expose it to a number of non-financial risks including political risk, reputational risk and cyber risk. The Circle Group's activities also expose it to a number of financial risks, including interest rate risk, credit risk, cash flow risk and liquidity risk. Any use of financial derivatives to manage these risks is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Circle Group does not use derivative financial instruments for speculative purposes.

Enterprise risk identification and management

Risk is an unavoidable element of doing business. The Circle Group's risk management systems aim to provide assurance to the Board of directors regarding the effectiveness of the Group's ability to manage risk. This is managed via the Governance Assurance Framework and the Board Assurance Framework, under which matters of significance and impact are reviewed by the Integrated Governance Committee ("IGC"), Operations Board, and the Audit and Risk Committee ("ARC").

The following provides an overview of the principal business risk factors facing the Circle Group, along with a description, where relevant, of the mitigating actions in place.

Adequacy of insurance scope and coverage

The Group is subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies if not covered due to policy limitations or exclusion, or failure to comply with the terms of the policy. This could lead to financial exposure for claim value not covered by the insurance policies or increase insurance premiums impacting future financial periods. Regular reviews are conducted together with the Group's insurance brokers to ensure sufficient levels of cover are maintained across the Group. Further frequent communication with the Clinical and Operational functions to ensure that robust process for capturing and reporting of incidents.

Strategic report
for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Clinical risk

As with all hospital providers, clinical quality risk is a major consideration. The Circle Group has centrally managed clinical governance structure which is led by the Circle Group's Chief Medical Officer who is an executive director of the Company. This structure includes senior staff across the operational, clinical and central support teams. Each hospital has its own local governance structure, while a team of clinical care quality specialists is dedicated to developing up to date and consistent clinical and operational policies across all sites. Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants, and report their findings to the Circle Group's Integrated Governance Committee ("IGC") which was chaired by the Circle Group's Clinical Chairman and an independent Board Director. The IGC in turn provides regular reports to the boards of the relevant Circle Group companies, including the Company, facilitating ward-to-Board assurance.

The Company also has its own local governance structure and local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants, and report their findings to the Circle Group's IGC.

Reputational risk

Reputational risk associated with poor clinical outcomes or patient satisfaction is mitigated by the focus on providing high quality care at the Circle Group's facilities and constantly seeking to improve clinical services through the activities of the IGC and related assurance reviews.

Contract and price risk

Private medical insurance: The Circle Group is exposed to a highly concentrated PMI market, whereby the Group carries out considerable activity under a small number of contracts with the major private medical insurers, which are subject to periodic renegotiation as to the access of insurers' members to the Group's facilities and to the price of services. Changes to or the ending of any of these contracts, or to pricing within them, could affect the levels of activity or profitability of the Group. The Group manages these risks through active account management, and demonstrating improvement across the hospital network whether that is through technology and clinical equipment investment or increase scope of services offered to patients. Additionally, the Group also seeks to maintain good relationships with the private medical insurers, to contract on medium term arrangements and to agree pricing which takes into account potential increases in the Group's own cost base over time.

Self-pay: the Circle Group provides medical services to self-pay patients. Increases in costs as a result of the inflationary pressure in the UK could result in upward pressure on pricing for patients, potentially impacting the demand. To mitigate these risks, the group seeks to maintain reasonable pricing, while still recovering increases in costs where possible.

NHS: the Circle Group carries out work for the NHS in England under standard contracts with integrated care boards (using the electronic referral service), local contracts with NHS Trusts and occasionally (as during the pandemic through to early 2021) directly with central NHS organisations. The nature of these contracts and the consequent access of NHS patients to the Group's facilities may be subject to change in the future. In general, the Group is paid the standard NHS tariff for the work it carries out, so is subject to the uncertainty of future tariff changes which are determined centrally by the NHS. The Group aims to mitigate these risks by acting as a reliable partner to NHS commissioners and consistently providing high quality services to NHS patients in a cost-effective manner.

Strategic report
for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Data protection and cyber risk

The Circle Group is subject to data protection and cyber risk from cybercrime, IT systems failure and threats to data protection, including data theft. The Circle Group manages these risks through regular meetings of its Technology Governance sub-committee, which has accountability for quality and safety of information and technology systems, assessing risk and performance, making improvement recommendations and advising the Integrated Governance Committee and Circle Group Board. The Circle Group also employs data protection and information security officers to oversee relevant risks, and carries out periodic testing of certain risks as part of its overall assurance programme. Further the Group has in place cyber insurance cover, covering a number of the first-party and third-party financial and reputational costs.

Government policy and regulatory risk

The provision and regulation of healthcare in the UK, including that by the independent sector, is the subject of periodic review by government and regulatory bodies. New regulations, and funding arrangements, may be introduced in the future which could have adverse effect on demand for the Company's services (from different payor groups), its operational costs and the nature and cost of regulatory compliance.

Workforce availability risk

There is a shortage of nurses and healthcare staff across the UK and overseas, which has led to an increased usage of agency labour. In the short term the Company can utilise increased agency staff to mitigate this. However in the medium to long term, this will impact on profitability and would not be sustainable.

The Company continues to focus on attracting new talent including the use of overseas nurses, while also aiming to reduce staff turnover via improved staff engagement and competitive remuneration.

Supply chain availability risk

The continued impact of the Covid pandemic, the exit of the European Union and the Russia-Ukraine conflict has resulted in shortages of various components utilised by the Company in its operations. This risk has been managed via the combination of longer contracted terms with suppliers to safeguard against large price changes, as well the presence of a warehousing and logistics provider which gives the Company better and increased capacity to hold components with long replacement leadtimes.

Energy costs

The global economic and political conditions within Europe have also led to large increases in energy prices. The Company had hedged energy pricing until Q4 of 2022 and so was protected from these increases for the majority of the year, before experiencing a significant increase in its gas and electricity costs from October 2022, with costs expected to remain high into 2023. The Company benefited from the government's energy price cap policy from 1 October 2022 until 31 March 2023. Prices have softened somewhat during 2023 and the Company continues to hedge its gas and power pricing where appropriate to protect from higher future prices in the wholesale markets.

A summary of the Group's electricity usage for the year can be seen in page 13 of the Directors' report.

Inflation risk

Given the global economic conditions, and political uncertainty in Europe, higher levels of inflation have been experienced with consequent additional pressure on staff costs. The impact on the Company has been an increase in direct costs for goods and services, not all of which can be covered by increased pricing. To mitigate this risk, where possible, the Company enters into long term purchase agreements to protect and limit against the full effect of cost inflation. The large majority of the Group's leases include a cap on the annual increases. Further, customer prices are being reasonably increased where possible to reflect the increase in costs.

Interest rate risk

The Bank of England's Monetary Policy Committee has announced a series of interest rate rises during 2022 and 2023 to date. Interest on the Circle Group's new £250.0 million revolving credit facility is variable based on the Sterling Overnight Index Average rate (SONIA) and so is exposed to changes in UK interest rates. The current drawn amount under the facility is £150.0 million, and a 100 basis point increase in SONIA would result in a £1.5 million increase in the Circle Group's annual interest cost.

Strategic report
for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. This is managed by regular monitoring of existing customer accounts and credit checks on new customers before credit is provided. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Cash flow and liquidity risk

In the ordinary course of business, in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt facilities. The Group manages liquidity risk by monitoring forecast and actual cash flows, and ensuring that adequate unutilised borrowing facilities are maintained to cover any short-term liquidity requirements.

The maturity of the debt facilities existing as at 31 December 2022 are detailed in note 20.

Environmental and climate change risk

The Circle Group's energy and carbon reporting, as well as its approach to environmental management, is disclosed in the Directors' report on pages 13 and 14. The Directors have considered broader impacts of climate change and the potential impacts on the business. Other than those matters disclosed in the Directors' report relating consideration of the environmental impact of capital programmes, the Directors consider that climate change risk would not have a material impact on the operating model of performance of the business.

Corporate Governance Statement (Section 172(1))

Under section 172 of the Companies Act 2006, directors of a company have a duty to promote the success of the company. Specifically, it requires the director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In performing their duties under section 172, the directors of the Company have had regard to the matters set out in section 172(1) as follows:

a) the likely consequences of any decision in the long term;

The Board has set long term strategic objectives for the Company focused on:

- clinical quality, patient experience and market leading reputation;
- attracting and retaining the best people;
- investment in infrastructure by improving the environment for patients and staff and capabilities;
- digital transformation to enable improved patient pathways, propositions and efficiency; and
- business growth.

These pillars form the basis of a five-year plan which is monitored and updated periodically by the Board. The strategy and plan supports decision-making around capital investment and allows the board to forecast funding requirements, debt capacity and financing options that are required to deliver this. As described elsewhere in this report, the debt facilities in place support the Company's investment plans.

The engagement with key stakeholders is described in sections b) to f) below and this forms a key part of the decision making process of the Board and the committees of the Board in determining the future direction and policies for the Company.

In developing the strategy, the Directors also consider external factors such as the political, economic, regulatory, and competitive environment.

Strategic report
for the year ended 31 December 2022 (continued)

Corporate Governance Statement (Section 172(1)) (continued)

b) the interests of the company's employees

The Directors understand the importance of the Group's employees to quality of care provided to patients, and so the long-term success of the business.

There is regular engagement with employees through an Employee Voice Forum, weekly staff newsletters, and an annual employee engagement programme. As a result of the most recent annual employee engagement survey, the Group was awarded a 2-star outstanding employer rating by best companies™. The Group continues to use the results of its annual employee engagement programme to invest further in improving the overall employee experience. This includes investing in pay awards, increasing minimum basic hourly wage of contracted staff and by carrying out regular salary benchmarking and pay review exercises to allow clinical and other staff to be paid at competitive levels in the market.

c) the need to foster the company's business relationships with suppliers, customers and others;

The Board regularly reviews how the Circle Group maintains positive relationships with all of its stakeholders including patients, consultants, suppliers and others.

The Circle Group's patient satisfaction surveys are run by an independent third party and show that 99 percent would recommend our hospitals to their friends and family and 99 percent rated the overall quality of care as 'very good' or 'excellent'. The Circle Group also undertakes consultant surveys to gauge the views of the surgeons and other medical consultants practicing in our hospitals. The Board reviews the results of these surveys. Supplier relationships are managed through the Group's procurement team with longstanding relationships with key suppliers.

The Circle Group's principal risks and uncertainties set out risks that can impact the long-term success of the Circle Group and how these risks interact with our stakeholders. The Directors actively seek information on the interaction with stakeholders to ensure that they have sufficient information to reach appropriate conclusions about the risks face by the Circle Group and how these are reflected within the long-term plans.

d) the impact of the company's operations on the community and the environment;

The Circle Group has an ongoing capital investment programme to improve the hospital estate and bring new medical and diagnostic equipment in to the hospitals. The capital project process considers the environmental impact and energy efficiency of programmes of work to monitor and improve this over time.

The Company and its employees also support local and national charities through various fund raising, sponsorship and matched giving initiatives, as well as raising donations to provide supplies and equipment to hospitals in Ukraine.

e) the desirability of the company maintaining a reputation for high standards of business conduct

As a healthcare provider, the Directors believe that maintaining the reputation of the Circle Group is critical for the future success. Clinical quality and governance is at the heart of the culture of the Circle Group and receives significant focus at Board level.

The Board is committed to high standards of business conduct and details of the governance structures are set out in the annual Quality Account, available on the Circle Health Group website.

f) the need to act fairly as between members of the company

The Circle Group holds monthly meetings with shareholders represented. Shareholders have worked effectively together to agree the course for the long term future of the Circle Group and the Company.

The Company and its Board is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 December 2022. Further explanation of how each principle has been applied is set out in the Statement of corporate governance arrangements.

Strategic report
for the year ended 31 December 2022 (continued)

Going concern

The Company's net assets were £96.5 million as at 31 December 2022 (31 December 2021: £111.5 million). The Company's net current assets were £65.5 million (31 December 2021: £107.2 million net current liabilities).

The Directors have performed a going concern assessment and concluded there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements, the going concern assessment period, for the following reasons.

Management of the Circle Group has prepared liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Company has sufficient cash and facilities to provide liquidity through the review period.

The Circle Group's senior facilities are guaranteed by the Company's ultimate parent company, Centene Corporation, and financial covenants for the facilities are measured at that level. Therefore, the directors of the Company have reviewed the covenant compliance reporting and the forecast financial performance. The covenant reporting shows that the covenants have been complied with throughout the period and the forecast financial performance indicates that they will be complied with throughout the forecast period with appropriate headroom.

On 28 August 2023, it was announced that a definitive agreement had been signed whereby Pure Health Holding LLC ('Pure Health') (a major healthcare operator based in the Middle East, with a range of international healthcare investments) will, through its UK subsidiary, acquire Circle Health Holdings Limited and its subsidiary undertakings from the Centene Corporation group, with the transaction expected to close in the first quarter of 2024. No material change to the operating activities of the Company is expected in the period to closing of the transaction.

The directors have considered the future financing arrangements for the Circle Group proposed by Pure Health on completion of the transaction, including the provision of funds to repay existing borrowings and to provide working facilities. Management has prepared liquidity forecasts on that basis which show that, following completion of the transaction, this will provide adequate liquidity for the Circle Group and the Company with appropriate headroom.

The directors do not believe there will be any material change to the scope or nature of the Company's operations, following completion of the transaction and within the going concern assessment period. As with a change of ownership of any company, the directors acknowledge that there can be no certainty as to the future plans of the proposed new owners, for the strategic direction of the Company. The directors have had discussions with the proposed acquirer and received representations from them. Based on this, at the date of approval of these financial statements, the directors have no reason to believe that the entity will not continue as a going concern.

The transaction is subject to customary closing conditions, including regulatory approvals. In the event that these conditions are not met and therefore the transaction does not close (or is delayed) the existing financing and facilities would remain in place which, as noted above, provide adequate liquidity for the Circle Group and the Company.

After making enquiries and based on the evidence available at the date of approval of these financial statements, including reviewing the facts and circumstances note above, and the Company's forecasts and downside sensitivities, the directors have concluded that they have a reasonable expectation that the Company has adequate resources available to it, to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, and at least for 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

This Strategic Report has been approved by the Company's Board of Directors.

On behalf of the Board:



Henry Davies
Chief Financial Officer

29 November 2023

Statement of corporate governance arrangements for the year ended 31 December 2022

This report forms part of the Directors' report. The Company and its board of directors ('the Board') is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 December 2022. Further explanation of how each principle has been applied is set out below.

Purpose and leadership

The Board and Company have regular communications with stakeholders and this is different case by case. The key stakeholders and the specific forum for engagement are listed below:

- Patients – patient feedback forms, complaints management policies, provision of information to Private Healthcare Information Network (PHIN) whose role it is to provide independent information to patients about private healthcare providers
- Regulators – frequent relationship meetings with CQC, HIS and HIW and communication via Independent Healthcare Provider Network (IHPN)
- Employees – National Employee Engagement Forum (NEEF) and employee engagement programme
- Consultants – Medical Advisory Committees within each hospital (MAC) chaired by a Hospital Clinical Chair
- NHS – local relationships with Trusts and ICBs, and central relationships with NHS England and other national NHS bodies
- Insurers – relationships and regular engagement with the commercial team
- Suppliers – relationships and regular engagement with the procurement team

The Directors have established a purpose statement for the Group "To provide the high quality, safe and compassionate care our patients need and expect." supported by the principles of:

- "we believe that patients come first";
- "we believe in our people";
- "we believe that 'good enough' never is"; and
- "we believe in being open-minded and innovative".

and also supported by the following values:

- "we value people who are selfless and compassionate";
- "we value people who are collaborative and committed";
- "we value people who are agile and brave"; and
- "we value people who are tenacious and creative".

The Company is committed to building a culture which encourages staff to speak up safely. This is supported by our "Freedom to Speak Up Raising Concerns (Whistleblowing)" policy and the role of the "Freedom to Speak Up Guardian". "Freedom to Speak Up" leads were appointed in each hospital and have the support of their local management teams, the Group's guardian and our Chief Medical Officer who has Executive responsibility for "Freedom to Speak Up".

The Company has various policies to mitigate the risk of conflicts of interest including the conflicts of interest and fraud, anti-bribery and corruption policies supported by a mandatory training programme. In addition all healthcare professionals have ethical requirements under their individual professional registrations to conduct themselves in an ethical manner and in the best interests of patients. Where the Group has relationships with medical consultants these are disclosed on the Circle Healthcare website.

There are examples of how the directors have considered their duties in relation to s172 b), in the manner in which it engages with employees, as set out in the Strategic Report.

**Statement of corporate governance arrangements
for the year ended 31 December 2022 (continued)**

Board composition

The Company's board have been directors of the Company throughout the year covered by these financial statements. All the Directors have healthcare experience and/or other relevant professional skills and experience. Details of directors who have served during the year are included in the Directors' Report.

Directors' responsibilities

The Company has a clearly defined governance framework, based on Board and Governance Assurance Frameworks, and Committee structures. The Board is supported by the Integrated Governance Committee, which had primary responsibility for the oversight of clinical and other related governance and risks, and the Audit and Risk Committee, which had primary responsibility for the oversight of financial and related governance and risks in the Company, together with a series of operational and governance boards, committees and sub-committees, with established terms of reference.

Opportunity and risk

The Company is part of the Circle Health Holdings Limited Group and alongside other companies in the Circle Group continually seeks opportunity to create value for stakeholders from growth in activity and improvement in financial result, using the existing assets of the Company and through investment in new facilities, equipment and technology. The risks that threaten these opportunities have been described earlier in this risk, and are under active management through the Company's risk management systems.

Remuneration

On any new senior appointment the board consider the market and remuneration packages are commensurate to the role. Short term incentive arrangements are based on the quality and performance of business. The market conditions are reviewed on a regular basis. The Circle Group's Gender Pay Report 2022 is available on the Group's website.

Stakeholder relationships and engagement

There are various mechanisms for collecting information to inform the Board's view of the Company impact on stakeholders. Information about patients is obtained from various clinical indicators and patient reported outcome measures (PROMS). The Circle Group monitors its impact on the environment through review of the carbon emissions reporting (see further information on this elsewhere in the Directors' Report). Other stakeholder engagement mechanisms are set out in the first principle above around Purpose and Leadership.

**Directors' report
for the year ended 31 December 2022**

The directors present their report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2022.

Details of events affecting the Company since the financial period end, an indication of likely future developments in the business, details of principal risks and uncertainties, financial risk management, engagement with employees, suppliers and customers and a statement on going concern have been included in the Strategic report and therefore form part of this Directors' report by reference.

Principal activity

The Company is a provider of healthcare services in the UK, treating privately insured, self-pay and NHS-funded patients at hospitals across the UK. The Company's business strategy is founded on the belief that the best way to deliver great patient care is to empower the doctors, nurses and all other staff who work in our hospitals and clinics to put patients' needs first.

Dividends

The Directors do not propose a dividend for the year (2021: £nil).

Directors

The Directors who served throughout the year, or were appointed in the period, and up to the date of this report were as follows:

Paolo Pieri
Henry Davies
Paul Manning
Karen Prins

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction. Trade creditors of the Company were equivalent to 50 days' purchases (2021: 59 days), based on the average daily amount invoiced by suppliers during the period.

Directors' and officers' insurance

The Company has procured qualifying third party indemnity insurance for all Directors and Officers of the Company and all Group companies. The Company has directors' and officers' insurance for the benefit of, amongst others, the directors of the Company, which is in place at the date of this report.

Directors' report
for the year ended 31 December 2022 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees, and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company newsletter, and regular emails. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests and a staff survey is completed and reported on each year.

Energy and carbon reporting

The data reported on below include all sources of Green House Gas ("GHG") emissions and energy usage as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. This has been compiled in line with the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance 2020'.

Circle emissions and energy usage

For Circle Health Group emissions and energy usage date for period 1 January to 31 December

	Tonnes of CO ₂ e	
	2022	2021
Emissions from combustion of gas (Scope 1)	10,228	11,979
Emissions from combustion of fuel for transport purposes (Scope 1)	951	88
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2)	11,759	13,328
Coal (industrial) (Scope 1)	969	877
Other petroleum gas (Calor) (Scope 1)	14	14
Fuel oil (Generator fuel) (Scope 1)	320	189
Emissions from business travel in employee owned vehicles where company pays for fuel	398	213
Total	24,638	26,688
Energy consumption used to calculate emissions (kwh)	121,376,838	128,177,798
Revenue (£'m)	1,009	955.1
Tonnes of CO₂e per revenue (per £'m)	24.4	27.9

Directors' report
for the year ended 31 December 2022 (continued)

Energy and carbon reporting (continued)

During the financial year the Company continued to develop its systems and management approach to reduce its environmental impact. The Health and Safety committee regularly reviews and evaluates opportunities to reduce our environmental impact and related costs. The continued focus remains on the major utilities of electricity, gas, water and wastewater along with the material commodities of both healthcare and general waste management and recycling.

The Environmental management process is broken down into two key management areas: Waste Management (including recycling) and Utilities Management.

Waste management, including recycling elements, are covered and monitored by the Regional Health and Safety managers in cooperation with local site Waste Officers; Utilities management elements are managed by the Regional Engineering Managers with local support from environment officers and site engineers. This delegation of responsibilities makes best use of the skillset within the teams.

The Company has followed the 2021/2022 UK Government environmental reporting guidance and used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021 to calculate these disclosures.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

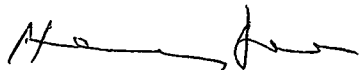
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that she or he ought to have taken as a director in order to make herself or himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

KPMG LLP have expressed their willingness to continue in office as auditor of the Company and appropriate arrangements are being made for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors on 29 November 2023 and signed on behalf of the Board:



Director: Henry Davies

29 November 2023

**Statement of Directors responsibilities
for the year ended 31 December 2022**

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Circle Health Group Limited
Independent auditor's report
to the members of Circle Birmingham Limited

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Opinion

We have audited the financial statements of Circle Health Group Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- an inability to achieve the revenue growth targets in the group's business plan; and
- the continuation and increasing severity of the cost of living crisis reducing public spending and the unstable economic climate driving a rise in cost and wage inflation

We also considered less predictable but realistic second order impacts, such a sudden unexpected downturn in service quality in one of the group's businesses or changes to government policy or regulation, which could result in a rapid reduction of available financial resources.

Given the level of financial resources, and the risks inherent in the cash flows, particularly the achievement of revenue growth and cost control, our evaluation of the directors' going concern assessment was of particular significance in our audit.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included critically assessing assumptions in the directors' base case and downside scenarios relevant to liquidity, in particular in relation to revenue growth and cost and wage inflation compared to recent past experience. We compared past budgets to actual results to assess the directors' track record of budgeting accurately. We also considered the impact of the definitive agreement signed on 28 August 2023 with Pure Health on future financing arrangements for the Company and the impact of any delays in closing the transaction.

We considered whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Circle Health Group Limited
Independent auditor's report
to the members of Circle Birmingham Limited

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Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 3 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Risk Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, pressures or opportunities to perpetrate a material fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual pairings with cash accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, legal team and other management (as required by auditing standards). We also discussed with the directors, legal team and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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Independent auditor's report
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Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment and social security legislation, fraud, corruption and bribery laws, environmental protection legislation, public service procurement laws, regulations of the Care Quality Commission and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- or
- the financial statements are not in agreement with the accounting records and returns; or
 - certain disclosures of directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Circle Health Group Limited
Independent auditor's report
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Directors' responsibilities

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

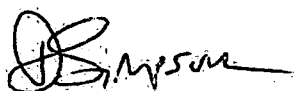
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

58 Clarendon Road
Watford,
WD17 1DE

..... 1 December 2023

Statement of comprehensive income
for the year ended 31 December 2022

		31 December 2022	31 December 2021
	Notes	£'000	£'000
Turnover	5	1,008,872	955,116
Cost of services		(688,025)	(629,401)
Gross profit		320,847	325,715
Administrative expenses		(217,118)	(219,776)
Operating profit before exceptional items		103,729	105,939
Exceptional administrative expenses		1,192	(4,831)
Operating profit		104,921	101,108
Interest receivable and similar income	7	1,634	2,061
Other gains and losses	8	(1,574)	802
Interest payable and similar charges	9	(116,737)	(114,302)
(Loss) before tax	10	(11,756)	(10,331)
Tax charge	12	(6,536)	(2,969)
(Loss) for the year		(18,292)	(13,300)

The accompanying notes are an integral part of this profit and loss account. All results are generated from continuing operations.

Detail of exceptional items and fair value movements can be found in note 6.

Statement of comprehensive income
for the year ended 31 December 2022

	31 December 2022	31 December 2021
	£'000	£'000
(Loss) for the period	(18,292)	(13,300)
Items that will not subsequently be reclassified to profit or loss (all net of tax):		
Actuarial gain on scheme obligations	38,257	4,028
Actuarial (loss) on scheme assets	(38,669)	(3,862)
Adjustments for restrictions on the defined benefit asset	1,353	163
Actuarial gain on defined benefit pension schemes	941	329
Net effect in reserves arising from movements on future scheme commitment	(941)	(329)
Items that will subsequently be reclassified to profit or loss:		
Tax on equity-settled share-based payments	43	
Other comprehensive income for the period	-	-
Total comprehensive (loss) for the period	(18,249)	(13,300)

The accompanying notes are an integral part of the statement of other comprehensive income.

Circle Health Group Limited

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Statement of financial position for the year ended 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Fixed assets			
Intangible assets	13	984	3,241
Tangible assets	14	1,473,331	1,446,498
Fixed asset investments	15	1,461	1,461
Loans to group companies		-	167,341
		<u>1,475,776</u>	<u>1,618,541</u>
Current assets			
Stocks	16	16,759	16,217
Debtors	17	92,032	78,722
Cash and cash equivalents		33,929	27,459
Loans to group companies	18	249,977	-
		<u>392,697</u>	<u>122,398</u>
Creditors - amounts falling due within one year	20	(327,160)	(229,609)
Net current assets		<u>65,537</u>	<u>(107,211)</u>
Total assets less current liabilities		<u>1,541,313</u>	<u>1,511,330</u>
Creditors - amounts falling due after more than one year	20	(1,422,228)	(1,379,844)
Deferred tax liabilities	21	(8,956)	(4,113)
Provision for liabilities and charges	22	(13,654)	(15,878)
Net assets		<u><u>96,475</u></u>	<u><u>111,495</u></u>
Capital and reserves			
Called up share capital	23	37,600	37,600
Share premium		68,834	68,834
Profit and loss account		(13,188)	5,061
Other reserves		3,229	-
		<u>96,475</u>	<u>111,495</u>
Equity attributable to owners of the parent		<u>96,475</u>	<u>111,495</u>
Total equity		<u><u>96,475</u></u>	<u><u>111,495</u></u>

The financial statements of Circle Health Group Limited (registered number: 02164270) were approved by the board of directors and authorised for issue on: 29 November 2023.

They were signed on its behalf by:

Director: Henry Davies

Date: 29 November 2023

The accompanying notes form an integral part of this balance sheet.

Statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
Balance at 31 December 2020	37,600	68,834	18,361	-	124,795
Loss for the year	-	-	(13,300)	-	(13,300)
Total comprehensive income	-	-	(13,300)	-	(13,300)
Balance at 31 December 2021	37,600	68,834	5,061	-	111,495
Loss for the year	-	-	(18,249)	-	(18,249)
Equity-settled share-based payment (note 23)	-	-	-	3,229	3,229
Total comprehensive loss	-	-	(18,249)	3,229	(15,020)
Balance at 31 December 2022	37,600	68,834	(13,188)	3,229	96,475

Notes to the financial statements
for the year ended 31 December 2022

1 General information

Circle Health Group Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is 1st Floor, 30 Cannon Street, London, EC4M 6XH, England, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 9.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the consolidated financial statements of Circle Health Holdings Limited. Circle Health Holdings Limited is the smallest group the Company is consolidated into. The consolidated financial statements of Circle Health Holdings Limited are available to the public and can be obtained from Companies House. The registered office address of the parent company preparing consolidated financial statements is 1st Floor, 30 Cannon Street, London, EC4M 6XH, England, United Kingdom.

In July 2021, there was a change in ownership, resulting in the ultimate UK controlling party of the Company being MH Services International (UK) Limited, with the ultimate parent being Centene Corporation.

Centene Corporation is the parent undertaking of the largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Copies of the group financial statements for Centene Corporation may be obtained from 5995 James S. McDonnell Blvd, St. Louis, MO 63105.

2 Adoption of new and revised Standards

The following amendments were effective during the financial year. The Group has performed an assessment and concluded that no impact will be seen as a result of these changes:

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts – Cost of Fulfilling a Contract

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) Application of Financial Reporting Requirements issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, related party transactions, and certain disclosure requirements in respect of leases. Where required, equivalent disclosures are given in the group accounts of Circle Health Holdings Limited.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies

Going concern

The Company's net assets were £96.5 million as at 31 December 2022 (31 December 2021: £111.5 million). The Company's net current assets were £65.5 million (31 December 2021: £107.2 million net current liabilities).

The Directors have performed a going concern assessment and concluded there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements, the going concern assessment period, for the following reasons.

Management of the Circle Group has prepared liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Company has sufficient cash and facilities to provide liquidity through the review period.

The Circle Group's senior facilities are guaranteed by the Company's ultimate parent company, Centene Corporation, and financial covenants for the facilities are measured at that level. Therefore, the directors of the Company have reviewed the covenant compliance reporting and the forecast financial performance. The covenant reporting shows that the covenants have been complied with throughout the period and the forecast financial performance indicates that they will be complied with throughout the forecast period with appropriate headroom.

On 28 August 2023, it was announced that a definitive agreement had been signed whereby Pure Health Holding LLC ('Pure Health') (a major healthcare operator based in the Middle East, with a range of international healthcare investments) will, through its UK subsidiary, acquire Circle Health Holdings Limited and its subsidiary undertakings from the Centene Corporation group, with the transaction expected to close in the first quarter of 2024. No material change to the operating activities of the Company is expected in the period to closing of the transaction.

The directors have considered the future financing arrangements for the Circle Group proposed by Pure Health on completion of the transaction, including the provision of funds to repay existing borrowings and to provide working facilities. Management has prepared liquidity forecasts on that basis which show that, following completion of the transaction, this will provide adequate liquidity for the Circle Group and the Company with appropriate headroom.

The directors do not believe there will be any material change to the scope or nature of the Company's operations, following completion of the transaction and within the going concern assessment period. As with a change of ownership of any company, the directors acknowledge that there can be no certainty as to the future plans of the proposed new owners, for the strategic direction of the Company. The directors have had discussions with the proposed acquirer and received representations from them. Based on this, at the date of approval of these financial statements, the directors have no reason to believe that the entity will not continue as a going concern.

The transaction is subject to customary closing conditions, including regulatory approvals. In the event that these conditions are not met and therefore the transaction does not close (or is delayed) the existing financing and facilities would remain in place which, as noted above, provide adequate liquidity for the Circle Group and the Company.

After making enquiries and based on the evidence available at the date of approval of these financial statements, including reviewing the facts and circumstances note above, and the Company's forecasts and downside sensitivities, the directors have concluded that they have a reasonable expectation that the Company has adequate resources available to it, to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, and at least for 12 months from the date of these financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

Revenue recognition

The Company generates revenue from the provision of medical services to privately insured, self-pay and NHS-funded patients at facilities located across the UK. At a hospital level revenue is measured by patient type, being inpatient, outpatient and day case. The key driver for invoicing and accounting recognition is the customer to whom the service is being provided. Management is required to take all relevant factors and circumstances into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to the customer for each performance obligation. This requires management to make certain judgements, including: the determination of the performance obligations in the contract; the estimate of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue.

In determining the appropriate method of recognising revenue, management are required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Company recognises revenue at a point in time.

Revenue, which is measured as the fair value of consideration received for the activity performed, represents the total amounts derived primarily from the provision of healthcare services in the UK, after deducting value added tax (where services provided are not exempt).

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Management has undertaken a detailed assessment of all revenue streams using the five-step approach specified by IFRS 15:

- Identify the contract(s) with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) a performance obligation is satisfied

Revenue can be broken down into the following main categories:

NHS Hospital Provision (any qualified provider and direct contracting)

Any provider who is able to provide a specific service that meets the required minimum standards can be listed as a possible provider to deliver healthcare on behalf of the NHS at national tariff. Patients choose their preferred provider under the national e-referral system (formerly the Choose and Book system).

Following the patients' treatment and subsequent discharge from hospital, the Group will invoice the relevant Clinical Commissioning Group (CCG) directly at tariff for the medical procedure performed and recognise the applicable revenue. The performance of the treatment is the sole performance obligation (representing that this is when the service is transferred), and so the whole tariff price is allocated to that performance obligation. No provider is guaranteed any volume or exclusivity. In addition to any qualified provider revenue, some revenue is earned from contracts with the NHS Trusts, with performance of treatments being the sole performance obligation.

During the prior period, the Group also earned revenue from central NHS bodies and local health schemes in England, Scotland and Wales under contracts put in place to allow the independent sector to support the NHS during the Covid-19 pandemic.

NHS Contracts with guaranteed payments

Integrated Care contracts have a term, usually, of five years. The contract involves a 'prime provider' (Circle) who takes responsibility for coordinating and managing the delivery of services across a local health system. Circle's main contracting parties are the local commissioner (CCG) and local care providers. The contract revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received for activity performed (in accordance with IFRS 15).

Notes to the financial statements
for the year ended 31 December 2022 (continued)

Revenue recognition (continued)

NHS Contracts with guaranteed payments (continued)

The annual revenue relates to the year beginning 1 April and ends on 31 March in the following year. The revenue is determined at the beginning of the year, in respect of the contract and any demographic growth in the local health system. The annual revenue is spread monthly across the year in a manner that reflects the proportion of total annual cost anticipated to be borne in that month. This is to reflect the contracts' main performance obligation of coordinating and managing the delivery of services to patients; with the cost of these services incurred reflecting the completion of the performance obligation.

Private and self-pay

Revenue is recognised based on procedures performed either at contractually agreed insurance prices or self-pay rates. These are determined by the specific procedure undertaken. The completion of the medical procedure is the sole performance obligation, and so the whole price is allocated to that performance obligation. In the case of Private Medical Insurer revenue, the insurance companies pay the consultants directly and Circle recognises revenue for use of the hospital, consumables and other clinical services which are recognised as provided.

For self-pay patients, Circle recognises revenue when the performance obligation has been satisfied.

In accordance with IFRS 15, the Company recognises revenue when performance obligations have been satisfied and for the Company this is when the services have been provided to the Group operating companies. Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received for activity performed.

Other revenue streams

The Group has other revenue streams including administrative fees charged to consultants, selling medical supplies to third parties and room rental. Under IFRS 15, revenue is only recognised when performance obligations are satisfied, whether that is the provision of administrative services or transfer of goods as part of inventory sales.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Retirement benefit plans

The Company is the sponsoring employer for a defined benefit pension scheme. The Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss. No contributions have been made in the current or prior period as the scheme is in surplus.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised (other than in a business combination) if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Where an item comprises major components with different useful lives, these components are accounted for as separate items.

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed annually.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Land and buildings	Shorter of length of lease or 50 years
Plant and equipment (including medical equipment)	3 to 15 years

Assets held under finance leases are depreciated over the expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Tangible fixed assets (continued)

Capital work in progress represents ongoing fixed asset projects not yet in use. On completion of the project the amount capitalised is transferred to another tangible fixed asset category and depreciation then commences.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the assets and the costs can be reliably measured.

Amortisation is recognised so as to write off the cost of the intangible assets, using the straight-line method, on the following bases:

Computer software	3 to 7 years
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Computer software is capitalised when such configuration and customisation activities are performed on the Company's infrastructure and applications, and as such represents the transfer of an asset that the Company controls because it enhances, improves or customises an existing on-premise software asset of the Company.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stocks

Stocks, comprising medical consumables, are valued at the lower of cost and net realisable value on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Other consumables, including crockery, cutlery, linen and soft furnishings, are valued at average cost and written down with regard to their age and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments

The accounting policies with reference to financial instruments below reflect both the policy under both IFRS 15 and IFRS 9. Where a change in policy has been implemented as a result of IFRS 9, this has been reflected within the notes.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(a) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

All financial assets, other than cash and cash equivalents and derivatives, are classified as "loans and receivables".

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market were classified as loans and receivables under IAS 39. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Under IFRS 9, the business model under which each portfolio of trade receivables held, has been assessed. The Company hold loans and receivable in order to collect the contractual cash flows and is therefore measured at amortised cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39.

For trade receivables, the Company uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses.

For trade receivables, the Company recognises a loss allowance for expected credit losses at amount equal to the lifetime expected credit loss. This is recorded through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Aside from trade receivables, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

(b) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

c) Derivative financial instruments

The Company can enter into a variety of derivative financial instruments to manage its exposure to interest rates and inflation, including interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Exceptional items and fair value adjustments

The Company presents certain material exceptional items and fair value adjustments separately in the income statement, if they are material because of their size or their nature. The Directors consider that the separate reporting provides a clearer understanding of the Company's underlying performance. Refer to note 6 for further details.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following information on critical accounting judgements and key sources of estimation uncertainty is applicable to the consolidated accounts and the Company accounts, where relevant.

Critical accounting judgements

Impairment of assets

Property, plant and equipment, Right of Use, and other intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary, based on the judgement of management. All hospital fixed assets are allocated into cash-generating units (CGUs), being each individual hospital operation, and tested for impairment, if any indicators of impairment exist.

At 31 December 2022, Property, plant and equipment, Right of Use, and other intangible assets were considered for impairment. The Company assessed the recoverable values of each CGU using forecasts of the profitability and the anticipated maintenance capital expenditure for each hospital.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

5 Revenue

An analysis of the Company's revenue is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Continuing operations		
Provision of healthcare services by customer:		
Private insured patients	426,197	377,348
NHS patients	301,220	331,157
Self-pay patients	238,174	207,745
Other patients	15,769	7,644
Other revenue	27,512	31,222
Total revenue	1,008,872	955,116
Provision of healthcare services by setting:		
Inpatient	378,721	297,863
Daycase	288,891	251,659
Outpatient	278,985	226,544
Other	62,275	179,050
Total revenue	1,008,872	955,116

All revenue is generated in the United Kingdom.

6 Exceptional items and fair value movements

In both 2021 and 2022, the Company's Directors have concluded that certain material exceptional items should be presented separately in the income statement. The comparative figures have been presented in accordance with this accounting policy in these financial statements. The Directors consider that the separate reporting provides a clearer understanding of the company's underlying performance.

The exceptional items and material fair value movements charged/(credited) for the period ended 31 December 2022 were:

	Administrative expenses £'000	Tax £'000	Total £'000
Integration costs	521	(99)	422
Site closures	182	(35)	147
Impairment reversal of tangible fixed assets at leased hospitals	(1,827)	-	(1,827)
Impairment reversal of computer software at leased hospitals	(68)	-	(68)
	(1,192)	(134)	(1,326)

Notes to the financial statements
for the year ended 31 December 2022 (continued)

6 Exceptional items and fair value movements (continued)

The exceptional items charged/(credited) for the period ended ended 31 December 2021 were:

	Administrative expenses £'000	Tax £'000	Total £'000
Integration costs	541	(44)	497
Impairment charge of tangible fixed assets at leased hospitals	4,291	(753)	3,538
Impairment reversal of computer software at leased hospitals	(1)	-	(1)
	<u>4,831</u>	<u>(797)</u>	<u>4,034</u>

Integration costs relate to the integration of the company following the acquisition by Circle Group. Expenses continue to be incurred as a result of the ongoing CMA regiments relating to the Birmingham market. Impairment of both tangible fixed assets and computer software has been explained in notes 13 and 14.

Cash flow impact of exceptionals

The cash flow impact for non-recurring costs was an outflow of £0.7 million (period ended 31 December 2021: £0.5 million).

7 Interest receivable and similar income

	31 December 2022 £'000	31 December 2021 £'000
Other interest	634	258
Intercompany interest income	-	53
Dividend income and similar	1,000	1,750
	<u>1,634</u>	<u>2,061</u>

Dividend income and similar is made up of both dividends as well as distributions from Three Shires Hospital LLP, of which the Company holds 50%.

Notes to the financial statements
for the year ended 31 December 2022

8 Other gains and losses

	31 December 2022 £'000	31 December 2021 £'000
(Loss)/profit on disposal of tangible fixed assets	(1,574)	802
	<u>(1,574)</u>	<u>802</u>

9 Interest payable and similar charges

	31 December 2022 £'000	31 December 2021 £'000
Interest on loans from Group undertakings	1	364
Other interest	1	-
Interest on lease liabilities	116,735	113,938
	<u>116,737</u>	<u>114,302</u>

The interest on lease liabilities was made up of £115.4 million attributable to right-of-use leasehold buildings while £1.3 million relates to right-of-use (finance leased) plant and equipment.

10 (Loss) for the financial period before taxation

(Loss) for the period before taxation has been arrived at after charging/(crediting):

		31 December 2022 £'000	31 December 2021 £'000
	Note		
Depreciation of tangible fixed assets	14	30,649	29,422
Depreciation of Right-of-Use assets	14	52,028	49,140
Impairment charge/(reversal) of tangible and intangible fixed assets	13, 14	(1,895)	4,290
(Loss)/gain on disposal of fixed assets	8	1,574	(802)
Amortisation of intangible assets (included within administrative expenses)	13	3,234	3,726
Cost of stock recognised as expense		<u>194,526</u>	<u>181,992</u>

Leases with options to extend or break clauses

As at 31 December 2022, across the Company's portfolio of leases there are 42 leases with options to extend and 8 leases with break options. The Company has assessed the likelihood on a lease by lease basis of whether these options would be taken and the lease liability includes cashflows on this basis in line with IFRS 16.

Leases excluded from IFRS16

There are three leases that the Company entered into which are not captured by IFRS16 due to the low value exemption taken. The total rental expense for these three leases in the year came to £0.2 million (2021: £0.4 million).

Notes to the financial statements
for the year ended 31 December 2022

10 (Loss)/profit for the financial period before taxation (continued)

Impairment losses recognised in the year

During the year, the Company carried out a review of the recoverable amount of all tangible and intangible assets including the right of use assets recognised under IFRS 16. The review led to the recognition of an impairment reversal of £1.9 million (period ended 31 December 2021: £4.3 million impairment), which has been recognised in profit or loss. The fair value less costs of disposal is assessed to be less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 8.35 per cent per annum (pre-tax).

		31 December 2022	31 December 2021
	Note	£'000	£'000
Staff costs			
Staff costs (including Directors)			
Wages and salaries		265,041	251,970
Social security costs		27,006	23,887
Net pension cost	25	9,920	9,030
		<u>301,967</u>	<u>284,887</u>

The average number of full-time equivalent employees excluding bank workers (including executive Directors) during the period was 6,931 (year ended 31 December 2021: 6,417). The average number of employees excluding bank workers at the reporting date (including executive Directors) was:

	31 December 2022	31 December 2021
	No.	No.
Management and administrative	490	671
Clinical and hospital support	7,623	6,891
	<u>8,113</u>	<u>7,562</u>

Notes to the financial statements
for the year ended 31 December 2022

10 (Loss)/profit for the financial period before taxation (continued)

Directors' emoluments

	31 December 2022 £'000	31 December 2021 £'000
Directors' remuneration:		
Emoluments	1,115	3,135
Pension-related payments	-	6
Benefits in kind and other	1	4
	<u>1,116</u>	<u>3,145</u>

Of the Directors within the Company during the year, two were remunerated through the Company. Four of the Directors are also directors of a number of other companies within the group. No Directors are accruing post-employment benefits from the Company (2021: one director) under a defined contribution scheme.

The emoluments disclosed above include the following amounts paid to the highest paid Director:

	2022 £'000	2021 £'000
Directors' remuneration:		
Emoluments	653	1,114
Pension-related payments	-	6
Benefits in kind and other	1	-
	<u>654</u>	<u>1,120</u>

During the year and the prior year no Directors received shares under a long-term incentive plan.

During the year and the prior year, no retirement benefits were paid to Directors or past Directors in excess of their entitlement at the date of retirement.

11 Auditor's remuneration

Fees payable to KPMG LLP and their associates for the audit of the Company's accounts were £362,000 (Deloitte 2021: £450,000).

Fees payable to KPMG LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

12 Tax

	31 December 2022 £'000	31 December 2021 £'000
Current tax:		
Corporation tax at 19% (2021: 19%)	-	(1,035)
Adjustments in respect of prior years	1,650	(109)
	<u>1,650</u>	<u>(1,144)</u>
Deferred tax (note 21)	4,886	4,113
- Origination and reversal of temporary differences	2,379	3,581
- Effect of decrease in tax rate	6,176	532
- Adjustments in respect of prior years	(3,669)	-
Tax	<u>6,536</u>	<u>2,969</u>

The charge for the period can be reconciled to the (loss)/profit in the profit and loss account as follows:

	31 December 2022 £'000	31 December 2021 £'000
(Loss)/profit before tax	<u>(11,756)</u>	<u>(10,331)</u>
Tax at the UK corporation tax rate of 19% (2021: 19%)	(2,234)	(1,963)
Effects of:		
- Income not taxable	(190)	384
- Expenses not deductible for tax purposes	1,342	2,201
- Tax losses not recognised/(recognised)	3,418	1,924
Effects of changes in tax rate	6,176	532
Adjustment to tax charge in respect of previous periods	(2,019)	(109)
Deferred tax recognised in equity	43	-
Tax charge for period	<u>6,536</u>	<u>2,969</u>

Notes to the financial statements
for the year ended 31 December 2022 (continued)

12 Tax (continued)

The tax rate for the current year and prior year is 19.0%. The Finance Act 2021, enacted on 10 June 2021, included an increase in the rate of corporation tax to 25% from 1 April 2023.

As this change was not substantively enacted at the balance sheet date its effect has not been included in these financial statements.

In addition to the amount credited to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	31 December 2022 £'000	31 December 2021 £'000
Current tax		
UK current tax charge on provision for future pension costs movement	-	-
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Tax charge / (credit) recognised in other comprehensive income	(33)	-
Rate change	(10)	-
Total income tax recognised in other comprehensive income	<u>(43)</u>	<u>-</u>

In addition to the amount charged to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

Current tax		
Other	-	-
Deferred tax		
Arising on transactions with equity participants:		
Conversion to FRS 101	-	-
Total income tax recognised directly in equity	<u>-</u>	<u>-</u>

Notes to the financial statements
for the year ended 31 December 2022 (continued)

13 Intangible assets

	Computer software £'000
Cost	
<i>At 1 January 2022</i>	27,209
Additions	856
Disposals	(35)
Transfers from tangible fixed assets	41
<i>At 31 December 2022</i>	<u>28,071</u>
Amortisation and impairments	
<i>At 1 January 2022</i>	(23,968)
Charge for the period	(3,234)
Impairment reversal	68
Disposals	47
<i>At 31 December 2022</i>	<u>(27,087)</u>
Carrying amount	
<i>At 31 December 2022</i>	<u>984</u>
<i>At 31 December 2021</i>	<u>3,241</u>

Where indicators of impairment exist, impairment tests were performed using the recoverable amounts of the assets' cash-generating units. The discount rate used in measuring value in use was 8.35% per annum (pre-tax) (period ended 31 December 2021: 8.38%). The Company also estimated the fair value less costs of disposal of these assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The review led to an impairment reversal of £68,000 (2020: £1,000 impairment reversal), which has been recognised in profit or loss.

Refer to note 6 for further details of these impairments. Sensitivity analysis of this impairment has been performed alongside tangible assets and details can be seen in note 14.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

14 Tangible fixed assets

	<u>Right-of-use assets</u>				
	Land and buildings £'000	Plant and equipment £'000	Capital work in progress £'000	Leasehold buildings £'000	Plant and equipment £'000
Cost					
At 1 January 2022	202,079	362,147	35,185	1,311,652	47,118
Additions	18,024	21,255	21,356	41,209	16,312
Disposals	(404)	(6,611)	(3,131)	(7,603)	-
Transfers between categories	14,905	1,700	(16,605)	-	-
Transfers to intangible assets	-	-	(41)	-	-
At 31 December 2022	234,604	378,491	36,764	1,345,258	63,430
Accumulated depreciation and impairment					
At 1 January 2022	(79,122)	(290,188)	5	(120,097)	(22,281)
Charge for the year	(11,824)	(18,825)	-	(45,413)	(6,615)
Impairment	8,509	9,539	32	(20,032)	3,779
Disposals	322	6,497	-	498	-
Transfers between categories	314	(314)	-	-	-
At 31 December 2022	(81,801)	(293,291)	37	(185,044)	(25,117)
Carrying amount					
At 31 December 2022	152,803	85,200	36,801	1,160,214	38,313
At 31 December 2021	122,957	71,959	35,190	1,191,555	24,837

Tangible assets are stated at fair value on acquisition of subsidiaries, with other expenditure at cost.

A total of £118.2m of additions to property, plant and equipment (including right-of-use assets) were made during the year (2021: £118.3m), of which £16.3m was funded through finance leases during the year (2021: £19.7m). All assets funded through finance leases were classified as plant and equipment.

A total of £0.1m of capital work in progress was transferred to intangible assets during the year (year ended 31 December 2021: £0.5m). This represents computer software that was completed during the period.

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. Where indicators of impairment exist, impairment tests were performed using the recoverable amounts of the assets' cash-generating unit (generally the hospital at which each individual asset is based). The discount rate used in measuring value in use was 8.35% per annum (pre-tax) (year 31 December 2021: 8.38%). The Company also estimated the fair value less costs of disposal of these assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. Where the value in use is lower, an impairment is recognised against the asset. Previous impairments have been reassessed and where value in use has increased, previous impairments have been reversed.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

14 Tangible fixed assets (continued)

Where indicators of impairment exist, the Company has conducted a sensitivity analysis on the tangible and intangible assets impairment test of the CGUs and the group of units carrying value, as follows:

- If the pre-tax WACC rate was increased/decreased by 1.0 percentage point, the overall impairment would (increase)/decrease by (£5.2) million/£6.1 million.
- If the long term growth rate was increased/decreased by 1.0 percentage point, the overall impairment would decrease/(increase) by £4.2 million/(£3.7) million.

Right-of-use assets

The Company leases several assets including property and medical equipment. The average lease term is 25 years (2021: 23 years).

The Company has options to purchase certain medical equipment for a nominal amount at the end of a 12 month initial lease term. The Company's obligations are secured by the lessors' title to the leased assets for such leases.

15 Fixed asset investments

	31 December 2022 £'000	31 December 2021 £'000
Fixed asset investments comprise the following:		
Subsidiary undertakings	1,461	1,461
	<u>1,461</u>	<u>1,461</u>

A full listing of subsidiary undertakings and other significant investments is included at note 29 and contains further details including the address for the registered office.

At 31 December 2022, the investments were assessed for impairment and none were identified.

16 Stocks

	31 December 2022 £'000	31 December 2021 £'000
Medical and pharmaceutical merchandise and other consumables:		
Cost	19,582	19,411
Provision	(2,823)	(3,194)
	<u>16,759</u>	<u>16,217</u>

Notes to the financial statements
for the year ended 31 December 2022 (continued)

17 Debtors

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due within one year:		
Trade debtors net of loss allowance	74,119	59,300
Corporation tax	1,408	767
Finance lease receivable	300	258
Other debtors	3,992	5,750
Prepayments and accrued income	8,598	9,028
	<u>88,417</u>	<u>75,103</u>

For trade debtors, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss ("ECL"). The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due after more than one year:		
Finance lease receivable	3,615	3,619
	<u>3,615</u>	<u>3,619</u>

Analysis of finance lease receivable

	31 December 2022 £'000	31 December 2021 £'000
Undiscounted lease payments analysed as:		
Recoverable after 12 months	4,812	4,962
Recoverable within 12 months	534	490
	<u>5,346</u>	<u>5,452</u>
Net investment in the lease analysed as:		
Recoverable after 12 months	3,615	3,619
Recoverable within 12 months	300	258
	<u>3,915</u>	<u>3,877</u>

The Company entered into finance leasing arrangements as a lessor for property in prior years. The property is necessary for the provision of medical care services by the Company. The average term of finance leases entered into is 9.6 years. Generally, these lease contracts do not include extension or early termination options.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

17 Debtors (continued)

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in GBP.

	31 December 2022 £'000	31 December 2021 £'000
Amounts receivable under finance lease		
Year 1	534	490
Year 2	534	490
Year 3	534	490
Year 4	534	490
Year 5	534	490
Onwards	<u>2,676</u>	<u>3,002</u>
	5,346	5,452
Less: unearned finance income	(1,432)	(1,575)
	<u><u>3,914</u></u>	<u><u>3,877</u></u>

Impairment of finance lease receivable

The directors of the Company estimate the loss allowance on finance lease receivable at the end of the reporting period at an amount equal to lifetime ECL. The finance lease receivable at the end of the reporting period is not past due, and taking into account the historical default experience and the future prospects of the industry in which the lessee operates, the directors of the Company consider that the finance lease receivable is not impaired.

	31 December 2022 £'000	31 December 2021 £'000
<i>Debtors</i>		
Amounts falling due within one year:	88,417	75,103
Amounts falling due after more than one year:	3,615	3,619
	<u><u>92,032</u></u>	<u><u>78,722</u></u>

18 Loans to group companies

	31 December 2022 £'000	31 December 2021 £'000
Amounts owed by fellow Group subsidiaries	<u><u>249,977</u></u>	<u><u>167,341</u></u>

Amounts owed by fellow Group undertakings are interest free, unsecured and repayable on demand.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

19 Contracts with customers: contract liabilities

Contract liabilities consist of advance payments and costs incurred. Advance payments and billings are typically associated with our self pay patients. All contract liabilities are current.

	31 December 2022 £'000	31 December 2021 £'000	31 December 2020 £'000
Advance payments on self pay patients	(3,058)	(5,664)	(1,310)

20 Creditors

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due within one year:		
Trade creditors	79,237	49,193
Amounts due to fellow Group undertakings	151,394	64,393
Other payables	32,652	47,806
Tax and social security	54	3,671
Accruals	58,504	62,351
Lease liabilities	5,319	2,195
	<u>327,160</u>	<u>229,609</u>

The amounts due to fellow group undertakings are repayable on demand. The loan between the Company and General Healthcare Holdings Limited was subject to interest in the prior year, however this has since been settled. There is no interest on remaining loans.

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due after more than one year		
Lease liabilities	1,422,228	1,379,844
	<u>1,422,228</u>	<u>1,379,844</u>

Analysis of lease liabilities

	31 December 2022 £'000	31 December 2021 £'000
Amount due for settlement:		
Between one and five years	34,271	22,573
After five years	<u>1,387,957</u>	<u>1,357,271</u>
	1,422,228	1,379,844
On demand or within one year	5,319	2,195
	<u>1,427,547</u>	<u>1,382,039</u>

	31 December 2022 £'000	31 December 2021 £'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	(52,028)	(49,140)
Interest expense on lease liabilities	(116,735)	(113,938)
Expense relating to leases of low value assets	(16)	(446)
Income from sub-leasing right-of-use assets	<u>604</u>	<u>584</u>

The total cash outflow for leases during the period amount to £118.9 million (2021 £115.6 million).

Notes to the financial statements
for the year ended 31 December 2022 (continued)

21 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £000	Short-term timing differences £000	Derivatives transition £000	Tax losses £000	Total £000
At 1 January 2021	(10,563)	(529)	23,434	(12,342)	-
Charge/(credit) to profit or loss	8,890	(255)	(1,042)	(3,480)	4,113
At 31 December 2021	(1,673)	(784)	22,392	(15,822)	4,113
Charge/(credit) to profit or loss	4,082	(220)	(4,936)	(226)	(1,300)
Charge to other comprehensive income	-	(33)	-	-	(33)
Effect of change in tax rate					
- income statement	2,545	(167)	390	3,418	6,186
- equity	-	(10)	-	-	(10)
At 31 December 2022	<u>4,954</u>	<u>(1,214)</u>	<u>17,846</u>	<u>(12,630)</u>	<u>8,956</u>

Deferred tax balances have been remeasured at the rates they are expected to reverse, which is mainly at 25%.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 December 2022 £'000	31 December 2021 £'000
Deferred tax liabilities	22,800	22,392
Deferred tax assets	(13,844)	(18,279)
	<u>8,956</u>	<u>4,113</u>

At the balance sheet date the Company has unused tax losses of £295.0 million (31 December 2021: £267.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £51.0 million (31 December 2021: £69.0 million) of these losses. No deferred tax asset has been recognised for the remaining £244.0 million (31 December 2021: £198.0 million) as the directors do not have sufficient certainty regarding the future taxable profits available to utilise the losses. Losses may be carried forward indefinitely.

22 Provisions

	Provision for legal claims £'000	Future pension commitments £'000	Total £'000
At 1 January 2022	15,724	154	15,878
Additional provision in the period	737	-	737
Utilisation of provision	(2,926)	(35)	(2,961)
At 31 December 2022	<u>13,535</u>	<u>119</u>	<u>13,654</u>
Of which falling due:			
- within one year	13,535	119	13,654
- subsequently	-	-	-

The Company is subject to a number of legal claims. Provision has been made for the estimated costs of settlement, based on management's best estimate on a case-by-case basis of the outcomes of settlements, either in or out of court.

The defined benefit pension scheme provision represents the Company's estimated future contributions to two defined benefit pension schemes.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

23 Share capital

	31 December 2022 Number	31 December 2022 £'000	31 December 2021 Number	31 December 2021 £'000
Authorised, allotted, issued and fully paid				
188 million ordinary shares of £0.20 each	188,000,000	37,600	188,000,000	37,600

The Company has one class of ordinary shares which carry no right to fixed income.

Equity-settled share-based payment

The long-term stock plan is a stock plan put in place by the ultimate parent company of Circle Health Holding Limited. The Company grants under this plan solely relate to Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs") over \$0.001 par value common stock in Centene Inc. and have no cash cost to the Company.

During the year ended 31 December 2022 the ultimate parent company granted RSUs and PSUs under these stock plans to selected directors and employees of the Company.

The accounting standards (IFRS2) require an accounting (non-cash) charge to be made in the financial statements of the Circle Group for such awards, with the corresponding credit taken to equity given there is no liability for the Circle Group for shares awarded under the long term stock plan.

The total accounting charge is calculated based on a number of factors and assumptions, and the amount recorded for the year related to employee share-based plans was £3,229,000.

Further details of the stock plan are included in Note 24 of the consolidated financial statements.

24 Financial commitments

	31 December 2022 £'000	31 December 2021 £'000
Capital commitments (Fixed assets)		
Contracted for, but not provided for, acquisition of property, plant and equipment	26,519	15,849
Operating lease commitments		

Disclosure required by IFRS 16

Operating leases, in which the Company is the lessor, relate only to operating leases.

Maturity analysis of operating lease payments:

	31 December 2022 £'000	31 December 2021 £'000
Year 1	-	71
Total	-	71

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25 Retirement benefit schemes

Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for all its qualifying staff. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

	31 December 2022 £'000	31 December 2021 £'000
Total contribution costs charged to the income statement in respect of 8,455 (31 December 2021: 8,825) members	9,920	9,030

Defined benefit schemes

The Company sponsors a funded defined benefit pension plan for qualifying UK employees, General Healthcare Group Limited Pension and Life Assurance Plan. The Plan is administered by GHG (DB) Pension Trustees Limited, an independent trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the benefits.

Under the Plan, employees are entitled to annual pensions on retirement at age 65 for each year of service. The Plan is closed to future accrual. The level of benefits accrued by members is based on the length of their Pensionable Service and their Pensionable Salaries at the earlier of the date on which they left the Plan or the date at which the Plan closed to the future accrual of benefits.

Profile of the plan

The Defined Benefit Obligation (DBO) includes benefits for former employees and current pensioners. The benefits under the Plan were secured by way of an insurance contract with Aviva in 2020, at which point about 63% of the liabilities were attributable to deferred pensioners and 37% to current pensioners. The data supplied for this exercise indicates a 16% shift in the liabilities with only 47% of the liabilities now attributable to the deferred pensioners and 53% to the current pensioners.

The Plan duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is approximately 13 years.

Risks associated with the plan

The Plan has now sold most of its assets and entered into an annuity contract with Aviva. As such, many of the risks it was previously exposed to have been removed. Investment, inflation and longevity risk are removed as Aviva are contractually obliged to fund members' benefits in the future. However, the Trustee still retains the legal responsibility to pay members' benefits to each individual member.

Funding requirements

UK legislation requires that pension Plans are funded prudently. The last funding valuation of the Plan was carried out by a qualified actuary as at 30 September 2021 and showed a surplus of £3.7 million. Now that the buy-in is complete, the Company is no longer paying deficit contributions. The Plan is expected to transition to buy-out in the near future and there will be no need for actuarial valuations in the future.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25 Retirement benefit schemes (continued)

Defined benefit schemes (continued)

Reporting at 31 December 2022

The liabilities of the Scheme were valued as at 30 September 2021, using a data extract provided by the administrators for the purposes of valuing the benefits secured under the insurance contract. These results were projected to the valuation date of 31 December 2022 allowing for changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was measured using the projected unit credit method. The directors consider they have a right to any surplus asset on the final settlement of all scheme liabilities but have not recognised an asset for this surplus as this is not considered material to the financial statements.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	31 December 2022 %	31 December 2021 %
Discount rate	4.8	2.0
Future pension increases	3.0	3.1
CPI inflation	2.4	2.6
RPI inflation	3.0	3.2

The financial assumptions reflect the nature and term of the Plan's liabilities.

Mortality rate

Pensioner life expectancy assumed as at 31 December is based on the S2P tables with scaling factors of 103% for male deferred pensions, 100% for male current pensioners, 91% for female deferred pensioners and for 89% for female current pensioners. Future improvements in longevity are assumed in line with the CMI 2021 projection model with a smoothing factor of seven and a long term rate of improvement of 1.25% pa. Samples of the ages to which pensioners are assumed to live are as follows:

	31 December 2022	31 December 2021
Life expectancy for male currently aged 65	86.3	86.3
Life expectancy for female currently aged 65	89.2	89.2
Life expectancy at 65 for male currently aged 45	87.5	87.6
Life expectancy at 65 for female currently aged 45	90.7	90.8

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25 Retirement benefit schemes (continued)
Defined benefit schemes (continued)

Sensitivity to key assumptions

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the identical values placed on the liabilities and the insured asset. The sensitivity of the results to these assumptions is set out below.

	Change £'000	New value £'000
Following a 0.25% decrease in the discount rate:		
DBO at 31 December 2022	(2,129)	75,525
Surplus at 31 December 2022	-	7,188
Following a 0.25% increase in the inflation assumption:		
DBO at 31 December 2022	1,444	79,098
Surplus at 31 December 2022	-	7,188
Following a one year increase in life expectancy:		
DBO at 31 December 2022	2,267	79,921
Surplus at 31 December 2022	-	7,188
	31 December 2022 £'000	31 December 2021 £'000
<i>Present value of obligation</i>		
At beginning of the period	118,016	125,593
Interest cost	2,316	1,721
Actuarial (gain)/loss	(38,257)	(4,028)
Benefit payments	(4,421)	(5,270)
At end of the period	<u>77,654</u>	<u>118,016</u>
	31 December 2022 £'000	31 December 2021 £'000
<i>Fair value of scheme assets</i>		
At beginning of the period	126,389	134,011
Expected return on scheme assets	2,484	1,839
Actuarial gain/(loss)	(38,669)	(3,862)
Benefit payments	(4,421)	(5,270)
Administration expenses	(941)	(329)
At end of the period	<u>84,842</u>	<u>126,389</u>
<i>Asset classes of scheme assets</i>		
The Plan assets are invested in the following asset classes. All invested assets have a quoted market value in an active market. None of the assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.		
	2022 £'000	2021 £'000
Cash instruments + sterling liquidity	6,803	8,069
Cash at bank	385	304
Annuity contract	<u>77,654</u>	<u>118,016</u>
At end of the period	<u>84,842</u>	<u>126,389</u>

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25 Retirement benefit schemes (continued)
Defined benefit schemes (continued)

The reconciliation to the amount shown on the balance sheet is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Present value of obligation	(77,654)	(118,016)
Fair value of scheme assets	84,842	126,389
Unrecognised portion of scheme assets	(7,188)	(8,373)
Net surplus recognised	-	-

No amounts have been recognised in the income statement for the current or prior years. The administration expenses for the plan are settled by the scheme and are therefore not recognised within the income statement.

The net amount recognised in reserves is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Actuarial (loss)/gain on scheme obligations	38,257	4,028
Actuarial gain/(loss) on scheme assets	(38,669)	(3,862)
Movement in unrecognised pension surplus	1,353	163
Actuarial loss on defined benefit pension schemes	941	329
Net effect in reserves arising from movements on future scheme commitment	(941)	(329)
	-	-

Analysis of gains/losses

Overall there was a total actuarial loss of £0.4 million (year ended 31 December 2021: £0.2 million) during the year, which is broken down as follows.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25 Retirement benefit schemes (continued)
Defined benefit schemes (continued)

Analysis of gains/losses

Financial assumptions resulted in a gain of £33.8 million, mainly due to the increase in the discount rate assumption. This gain was partially offset by the increase in the RPI inflation assumption and related inflation-linked increases. Demographic assumptions resulted in a gain of £3.8 million, mainly due to changes in the mortality assumption, in particular updating the CMI projection model. DBO experience resulted in a gain of £0.6 million, mainly due to higher than expected deferred revaluation and pension increases over the year. During the year, asset returns underperformed against the discount rate. This was entirely due to the value of the primary asset, the insurance contract, being set to equal the value of the liabilities.

26 Events after the balance sheet date

On 28 August 2023, it was announced that a definitive agreement had been signed whereby PureHealth will acquire Circle Health Group from Centene Corporation with the transaction is expected to close in the first quarter of 2024. The directors do not believe that this transaction has any material impact on the balances recorded or the disclosures presented in these financial statements. At the date of signing the ultimate controlling party remains unchanged, being Centene Corporation.

27 Related party transactions

The Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the Group headed by Circle Health Holdings Limited, provided that each party to the transaction is a wholly-owned subsidiary of the Group.

There are also transactions with non wholly-owned subsidiaries in the year with the following related party transactions reflected in the profit and loss account. It should be noted that North West Cancer Clinic became a wholly owned subsidiary on 30 September 2022. The below related party balances represent the transactions for the year prior to this transaction occurring.

During the period ending 30 September 2022, £456,000 (period ended 31 December 2021: £80,000) was charged to North West Cancer Clinic Limited for management fees.

During the year, £360,000 (period ended 31 December 2021: £345,000) was charged to Three Shires Hospital LLP for management fees occurred.

At the balance sheet date the following amounts were (owed to)/owed from connected companies:

	31 December 2022 £'000	31 December 2021 £'000
BMI Imaging Clinic Limited	(842)	(345)
BMI Southend Private Hospital Limited	-	303
BMI Syon Clinic Limited	(5,522)	(3,495)
Meriden Hospital Advanced Imaging Centre Limited	(9)	(10)
North West Cancer Clinic Limited	(241)	264
Three Shires Hospital LLP	<u>1,852</u>	<u>1,818</u>

BMI Syon Clinic Limited, North West Cancer Clinic Limited, Meriden Hospital Advanced Imaging Centre Limited and BMI Southend Private Hospital Limited are related parties by virtue of them having an ultimate shareholder in common with the Company. The Company provides certain accounts receivable and accounts payable functions to the related parties, as well as other finance, facilities, payroll, IT and administrative services.

Three Shires Hospital LLP and BMI Imaging Clinic Limited are 50% owned subsidiaries of the Company. The Company provides certain accounts receivable and accounts payable functions to the related parties, as well as other finance, facilities, payroll, IT and administrative services.

Other transactions with related parties

Transactions with Ribera Salud Group, a subsidiary of Centene Corporation, the ultimate parent entity, were made during the year totalling £1,435,000 (2021: £727,000). These costs related to consultancy services received. Ribera Salud Group ceased to be a related party during the year as the Group's ultimate parent completed its divestiture of Ribera Salud Group in November 2022.

Notes to the financial statements
for the year ended 31 December 2022 (continued)**28 Controlling party**

The Company is a subsidiary undertaking of GHG Intermediate Holdings Limited.

Circle Health Holdings Limited is the parent undertaking of the smallest group for which consolidated financial statements are prepared that include the financial statements of the Company in the United Kingdom. Copies of the group financial statements for Circle Health Holdings Limited may be obtained from 1st Floor 30 Cannon Street, London, EC4M 6XH.

As a subsidiary undertaking of Circle Health Holdings Limited at the balance sheet date, the Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the group headed by Circle Health Holdings Limited.

In July 2021, there was a change in ownership, resulting in the ultimate UK parent of the Company being MH Services International (UK) Limited, with the ultimate parent being Centene Corporation. Copies of the group financial statements for Centene Corporation may be obtained from 5995 James S. McDonnell Blvd, St. Louis, MO 63105.

29 Related undertakings

The Company has investments in the following subsidiary undertakings, associates and other investments.

Name of entity	Principal activity	Country of incorporation	Share class	% Interest held
<i>Subsidiary undertakings</i>				
BMI Hospital Decontamination Limited	Provision of decontamination services	United Kingdom	Ordinary shares	100*
<i>Other significant investments</i>				
Three Shires Hospital LLP	Provision of healthcare services	United Kingdom	Ordinary shares	50*

* Held directly by Circle Health Group Limited

All subsidiaries have their registered office at Circle Health Group, 1st Floor 30 Cannon Street, London, England, EC4M 6XH, United Kingdom.